

AM23

Notice of move from administration to dissolution



Companies House

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COMPANIES HOUSE

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1 Company details

Company number 0 5 6 5 0 8 6 1

Company name in full AB INTERNET LIMITED

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Court details

Court name HIGH COURT OF JUSTICE

Court number C R - 2 0 1 7 - 0 0 3 7 8 5

3 Administrator's name

Full forename(s) MARTIN CHARLES

Surname ARMSTRONG

4 Administrator's address

Building name/number ALLEN HOUSE

Street 1 WESTMEAD ROAD

Post town SUTTON

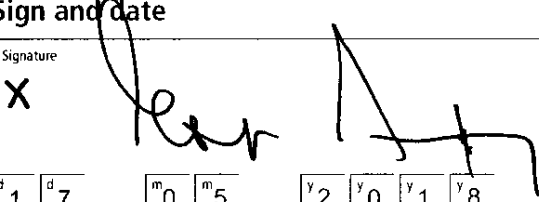
County/Region SURREY

Postcode S M 1 4 L A

Country UK

AM23

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5 Administrator's name ①	
Full forename(s)	JAMES EDMUND
Surname	PATCHETT
① Other administrator Use this section to tell us about another administrator.	
6 Administrator's address ②	
Building name/number	ALLEN HOUSE
Street	1 WESTMEAD ROAD
Post town	SUTTON
County/Region	SURREY
Postcode	S M 1 4 L A
Country	UK
② Other administrator Use this section to tell us about another administrator.	
7 Final progress report	
<input checked="" type="checkbox"/> I have attached a copy of the final progress report	
8 Sign and date	
Administrator's signature	 X
Signature date	d 1 d 7 m 0 m 5 y 2 y 0 y 1 y 8

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Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name

Address

Post town

County/Region

Postcode

Country

DX

Telephone



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

AB Internet Limited – In Administration

EXECUTIVE SUMMARY

The Company operated as an Internet Service Provider (“ISP”) operating their own wireless network infrastructure in both urban and rural parts of the UK. It did so by relaying supply from major internet suppliers through its own relay equipment located on land in these locations. The Company would pay a small sum to the owners of the land on which its network broadcast equipment was placed and would receive a monthly subscription from the customers using its supply.

The Company had six ‘spokes’ to its business, being five networks which supplied broadband internet to a designated area and one contract to build and supply a network in Scotland. The five networks were as follows:

- North Wales
- South Wales
- Loch Tay (physical assets owned by local community not the Company)
- Black Isle
- Forest Holidays

The networks all serviced the local community aside from Forest Holidays, which serviced the holiday sites operated by Forest Holidays Limited across the country. There had been a further network in Lincoln but that had been sold in January 2017 for £250,000 (payable by deferred instalments).

As stated above, the Company entered into a contract to build and provide a network in Scotland. The contract was with Gigaplug Argyll (“GPA”) and was entered into in June 2015. The GPA contract had been expected to be the first of a number of contracts secured with Scottish Government backing although significant delays had been experienced that were primarily related to the acquisition of locations on which to place the required masts. The delays and associated costs had a severe impact on cash flow. Whilst all necessary sites were eventually acquired and the contract (originally due for completion by August 2016) was expected to proceed, the Company did not have sufficient working capital to acquire the hardware/equipment to be installed and therefore could not progress the contract.

In view of interest in the networks, it was considered that a “pre-pack” sale of the business and assets (either as a whole or piecemeal sales of the networks) would be appropriate whereby a sale (or sales) is completed on or very shortly after the Company is placed into Administration. In this case it was hoped that this could be achieved with a marketing period and negotiation with interested parties. Unfortunately, on 19th May 2017 we were contacted by the Board who advised that suppliers had threatened to disconnect supply to the networks. This would have had a catastrophic effect on the Company’s ability to service customers and would have dissipated any value of the Company’s Goodwill. It was therefore concluded that the Company be placed into Administration without delay in order to utilise the Administrators powers to compel key suppliers to maintain supply in order to achieve a sale (or sales). This would require the Company to continue to trade during the Administration until sales were agreed rather than agreeing a sale (or sales) in principle prior to Administration and completing on or very shortly after Administration.

Accordingly, on 23rd May 2017, James E Patchett and I were appointed by the Directors of the Company as Joint Administrators of the Company and took over from the Board responsibility for the

management of the affairs, business and property of the Company.

Following appointment we continued to trade the business in order to find a buyer (or buyers) for the networks. After protracted marketing, negotiations and due diligence, two separate sales of the networks were eventually agreed and completed in August 2017. The sale proceeds have enabled the Company's secured creditor to be paid in full, however, there is no prospect of a dividend to any other class of creditor as all funds have been used to defray trading costs and (in part) the costs and expenses of the Administration.

STATUTORY INFORMATION

Company name:	AB Internet Limited
Court name and reference:	High Court of Justice Reference CR-2017-003785
Registered office:	Allen House, 1 Westmead Road, Sutton, Surrey SM1 4LA
Former registered office:	Landmark House, 1 Riseholme Road, Lincoln, Lincolnshire LN1 3SN
Registered number:	05650861
Joint Administrators' names;	Martin C Armstrong and James E Patchett
Joint Administrators' address:	Turpin Barker Armstrong, Allen House, 1 Westmead Road, Sutton, Surrey SM1 4LA
Appointment made by:	The directors of the Company
Joint Administrators' date of appointment:	23 rd May 2017
Actions of Joint Administrators:	Any act required or authorised under any enactment to be done by an administrator may be done by either or both of the Administrators acting jointly or alone.

SUMMARY OF THE ADMINISTRATORS' PROPOSALS

The following proposals were deemed approved 8 business days after they were delivered to creditors, namely 27th July 2017.

(a) We continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration. In particular that we:

- (i) continue to trade the business until the sales of the networks have completed;
- (ii) collect the Company's outstanding book debts;

- (iii) sell the Company's assets at such time(s) on such terms as we consider appropriate;
- (iv) investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or Company whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or Company which supplies or has supplied goods or services to the Company; and
- (v) do all such things and generally exercise all their powers as Administrators as we consider desirable or expedient at our discretion in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these proposals

(b) The Administration of the Company is likely to end by filing notice of dissolution with the Registrar of Companies. The Company will then automatically be dissolved by the Registrar of Companies three months after the notice is registered.

(c) If the Administration is not ended via dissolution as above, the Administration will end by the presentation of a winding up petition to the Court for the compulsory liquidation of the Company.

(d) Failing the above, the Administration of the Company will end by making an application to Court for an order that the Administration ceases.

STEPS TAKEN DURING THE ADMINISTRATION

The matters dealt with and the work undertaken since our appointment can be summarised as follows:

Trading

As detailed in the Proposals, and as mentioned previously, it was considered appropriate to trade the business until a buyer (or buyers) could be found for the Company's networks and assets. The trading period was partially funded by customer receipts and the GPA contract payment received shortly after our appointment. Although a trading loss has been made, the decision to continue to trade has been justified by the realisation of sufficient funds to enable the secured creditor to be paid in full and the continuation of supply to customers (which has minimised claims from customers for loss of service).

As shown on the attached receipts and payments account, there has been a trading loss of £50,062.34 (excluding our time costs). The time costs incurred by the Administrators in respect of Trading amount to £43,711, resulting in a final trading loss (inclusive of the Joint Administrators' time costs) of £93,773.34, which is more than the estimated loss of £80,000 included in the estimated outcome statement appended to the Proposals. As mentioned above, although a substantial loss has been made, ongoing trading has allowed the Company's secured creditor to be paid in full and has not prejudiced the position of preferential or unsecured creditors on the basis that, had the Company ceased to trade on appointment, the assets of the Company would have been sold on an "ex-situ" basis. This would have meant that the value of the Company's tangible assets would have diminished considerably whilst any value in Goodwill will have dissipated completely. As a result there would have been no return to any class of creditor and would also have meant supply to customers would have ceased completely, resulting in a significant amount of additional claims for non-supply and breach of contract.

The principle work undertaken in respect of trading was as follows:

Suppliers

In order to continue to trade it was essential to maintain supply from the backhaul internet providers for each network (the backbone of the networks). These suppliers were engaged with and supply was maintained where possible. In addition, time was spent trying to facilitate the reconnection of lines that had previously been disconnected prior to Administration. This work was principally undertaken in the prior reporting period, however, I have since been in correspondence with some suppliers regarding final charges for the trading period.

Landlords/Premises

The Company operated from two premises in Lincoln (albeit only one lease was held in the name of the Company). Time has been spent liaising with the landlords in respect of the occupation of both premises, paying appropriate rent, and dealing with vacation of the properties.

Additionally, due to the Company's financial position, payments to many of the landowners had not been made in accordance with the relevant contracts and therefore there was some reluctance among these landowners to allow the Company to continue to use their land whilst we sought a buyer of the business.

As a result of their dissatisfaction, some of the landowners had switched off/tampered with the equipment on their land which required careful negotiations (and in some circumstances ransom payments and site visits) in order to resume supply.

In the reporting period, the work done has primarily related to correspondence with the landlord of the Sewell Road premises utilised by the Company in order that final rent charges were agreed and paid.

Utilities

In the prior reporting period we have been required to liaise with the utility providers for both premises in order to maintain the supply of gas and electricity to enable ongoing trade. The work undertaken in the reporting period relates to dealing with suppliers in respect of trading period charges.

Customers

In the trading period it was necessary to have extensive daily correspondence with customers regarding various issues, including service outages, faulty sites/equipment, payments, potential new suppliers and claims for any losses suffered by them as a result of the Company's insolvency. As mentioned previously, some sites were intentionally switched off/tampered with by landowners which had an onward effect on customers. In addition, some networks suffered outages due to inclement weather. Any time a portion of a network went offline it resulted in significant enquiries from customers as to the nature of the fault and when it could expect to be fixed.

Whilst the majority of this work was required in the prior reporting period, in the current reporting period we have received enquiries from some customers who had not been contacted by, or were having trouble getting in contact with, the purchaser of their network.

Employees/Contractors

We also liaised with the directors regarding the key clerical and technical personnel required to continue trading and deal with any outages. In this regard, one director was made redundant with effect from 24th

May 2017 (but retained on a contracted basis to assist with the proposed sales). A further 6 staff (including the remaining 2 directors) were made redundant on 31st May 2017 (again the two directors were retained on a contracted basis to assist with the proposed sales and ongoing trading). Correspondence was entered into with staff regarding their position and any unpaid entitlements (and their ability to make a claim from the Redundancy Payments Office ("RPO")). No work in this respect was undertaken in the reporting period.

Day to day affairs/management

Daily correspondence was required with the Company's directors in order to oversee daily trading and deal with administrative functions and the maintenance of internet supply/networks. All work in this regard was carried out in the prior reporting period.

Customer Receipts

In the reporting period a full reconciliation of sales invoices and customer receipts was undertaken with a view to establishing whether any customer payments were outstanding for periods of supply prior to the sale of networks. Due to the large number of customers and the relatively small amounts owed for monthly broadband, efforts were focussed on larger, corporate accounts.

In this regard, the Company's electronic sales records and Company bank statements were cross-referenced and a schedule prepared detailing the amounts believed to be owed. Letters were issued to customers requesting payment and further time was spent dealing with queries/disputes, issuing chaser letters, and dealing with payments received. This work resulted in additional net sales receipts of £9,746.44 being received in the reporting period.

Other

In addition to the above, the following tasks were also undertaken in the trading period:

- Arranging suitable insurance for the business and assets.
- Dealing with payroll matters including reviewing and making payments in respect of staff wages, PAYE/NIC and pension contributions.
- Liaising with Company's pension provider.
- Reviewing and processing all necessary receipts / payments.
- Liaising with the Company's bankers in respect of receipts received into the Company's current account.

The above was undertaken in the prior reporting period.

Sale of business and assets

As mentioned in my previous progress report, the sales of the business and assets did not occur immediately upon appointment. I instructed agents, Lambert Smith Hampton Group Limited ("LSH") to value, market and negotiate sales of the Company's business and assets (on a piecemeal basis if necessary). This lengthy marketing and negotiating process required ongoing communications with LSH, interested parties and the directors in order to deal with offers received and to provide various technical and financial information to interested parties.

As detailed in the Proposals delivered to creditors on 17th July 2017, sales of the Company's networks were agreed in principle with two purchasers. Broad terms of the agreements in principle were as follows:

- The sale of the Forest Holidays network for £65,000 ("Sale 1").

- The sale of the remaining 4 networks and other assets for £200,000 (less a maximum £25,000 deduction in lieu of any potential claims under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") (which were not expected)) ("Sale 2").

It was thought that the above sales would be completed shortly after the Proposals were issued, however, this was unfortunately not the case. Sale 1 was not completed until 2nd August 2017 with delays caused attempting to address various concerns of the buyer and also negotiating fairly significant amendments to the sale agreement due to the complicated nature of the Company's operating model and the fact that this was a sale of just one part of the business.

One of the key assets in Sale 2 was the contract with a supplier of broadband (which the Company then relayed on to its customers). Due to non-payment by the Company to the supplier in the period prior to Administration a significant amount of time was incurred dealing with the supplier to ensure that the supply remained in place while the sale was completed. In addition, the purchaser in Sale 2 had to liaise with the representative of the Loch Tay community network (who owned the physical assets for that network) in order to obtain their consent to operate the network using their goods. This was fundamental to the sale as without this consent the purchaser could not operate this network and they would therefore have lost any income stream associated to it.

Although the above matters were resolved, shortly prior to the sale being completed the buyer for Sale 2 reduced the proposed purchase price from £200,000 to £165,000 with £50,000 payable on completion and the balance paid over three months.

Due to the fact that no other serious buyers had been identified and the fact that any further marketing after trading the business for three months would lead to further significant trading costs and would be unlikely to result in any offers in excess of £165,000, I took the decision to accept the reduction in the purchase price following advice from LSH. For these reasons, Sale 2 was therefore not completed until 16th August 2017.

During the periods of delays I continued to trade the business, retain staff/contractors and make attempts to preserve the value of the Company's assets (by preserving supply to customers). As mentioned above, the sales were delayed whilst attempting to address various concerns of the buyers and also negotiating significant amendments to the sale agreements due to the complicated nature of the Company's operating model and the fact that these were two separate sales of parts of the business. The extended period agreeing the sales and the detailed negotiation of the sale agreements inevitably led to a substantial amount of time dealing with these matters.

Although the sales were completed in the prior reporting period, time has been spent in the reporting period liaising with the purchasers in respect of the novation of certain supplier contracts/agreement and reviewing/dealing with the associated documentation.

Motor Vehicles

Once they were no longer required for trading, LSH were instructed to value and dispose of the Company's motor vehicles and liaise with finance providers and interested parties as applicable. These vehicles were disposed of in the prior reporting period.

Book Debts

The Company's book debts were primarily made up of circa £160,000 due from the purchaser of the Lincoln network (which was to be discharged via deferred payments). Following Administration, a payment of £19,895.08 was received for the May 2017 instalment although no further payments were

received due to alleged breaches of contract by the Company. I have been in discussions with the debtor in respect of the outstanding payments and a full and final settlement of £70,000 was proposed by the debtor (due to various allegations that the Company has breached the terms of the sale contract). A decision on this offer was not made immediately to allow the sale contract to be reviewed in order to consider the following before agreeing to any reduced settlement:

- (a) the allegations that the Company is in breach of the contract;
- (b) if the Company is in breach, how it affects our ability to collect the deferred consideration (and any other implications);
- (c) what the Company's ongoing obligations are under the contract;
- (d) if the purchaser of the network has breached the contract (and any relative implications).

Following this review, and after considering the merits of the offer and associated costs in carrying out a forensic review whilst seeking legal advice on the potential breaches by both parties to the sale contract, we concluded that the settlement offer of £70,000 should be agreed. In addition, any higher settlement sum would not have benefited creditors and would merely have been used to discharge Administration costs and expenses.

A formal deed of settlement was therefore entered into on 26th April 2018 and the settlement amount was received in full on 30th April 2018.

GPA Contract

It was originally anticipated that the GPA contract would be included in any sale of the business. Time was therefore spent discussing the position with the Board of GPA and exploring a potential novation of the contract. However, as GPA would have to consent to any novation the contract was not considered to have any value. The contract was therefore not included in either sale and GPA gave notice on 11th August 2017 of formal termination of the contract with effect from 18th August 2017. This work was undertaken in the prior reporting period.

Joint Administrators' Proposals

In the prior reporting period, my staff and I prepared the Proposals which were circulated to creditors and deemed approved on 27th July 2017. Notice of deemed approval was subsequently prepared and issued to creditors, the Court and Companies House on 3rd August 2017

Statutory Objective

Creditors may recall that it was originally intended that we would seek to achieve statutory objective (b) for the Company. This objective was to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration) and was to be achieved by completing sales of the Company's networks and assets and enabling a dividend to both the secured and preferential creditors.

In late 2017 it was apparent that realisations would be insufficient to enable a dividend to preferential creditors and therefore objective (b) would not be achieved. Objective (c), being to realise property in order to make a distribution to one or more secured or preferential creditors has, however, been achieved by making payments to the secured creditor to discharge their claim in full.

My solicitors have advised there is no need to seek approval of the variation of the statutory objective given that it is relatively minor and has no impact on unsecured creditors. My prior progress report served as notice to unsecured creditors of the variation to the Proposals and to provide an opportunity to query or object to the change. No objections were received following my prior report.

In addition to the above matters, there is certain work that I am required by the insolvency legislation to undertake in connection with the Administration that provides no financial benefit for the creditors. A description of the routine work undertaken since my appointment as Joint Administrator is contained in Appendix 1.

OUTCOME OF ADMINISTRATION

As stated above, it was originally intended that we would seek to achieve statutory objective (b) for the Company. This objective was to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration) and was to be achieved by completing sales of the Company's networks and assets and enabling a dividend to both the secured and preferential creditors.

As previously reported, objective (b) could not be achieved. Objective (c), being to realise property in order to make a distribution to one or more secured or preferential creditors has, however, been achieved by making payments to the secured creditor to discharge their claim in full.

As there are no further funds in the Administration, the Administration will end by filing notice of dissolution with the Registrar of Companies. The Company will then automatically be dissolved by the Registrar of Companies three months after the notice is registered.

RECEIPTS AND PAYMENTS ACCOUNT

My Receipts & Payments Account for the period from 23rd May 2018 to 17th May 2018 is attached at Appendix 2.

ASSETS

The assets realised/dealt with in the Administration are as follows:

Networks and assets

The Company's assets were sold to unconnected parties for a total of £230,000. Full details of the marketing undertaken can be found in the Proposals. Some details regarding the sales are as follows:

Sale 1

Network sold: Forest Holidays

Purchaser: Forest Holidays Limited

Date of sale: 2nd August 2017

Purchase price: £65,000

Other relevant terms: Full sale price to be paid on completion

Sale 2

Networks sold: North Wales, South Wales, Loch Tay, Black Isle

Purchaser: Bogons Limited

Date of sale: 16th August 2017

Purchase price: £165,000 (less a maximum £25,000 deduction in lieu of any potential claims under the TUPE)

Other relevant terms: £50,000 payable on completion followed by two monthly instalments of £50,000 and one final payment of £15,000.

An outline of the different types of asset sold and the amount for which they were sold, together with a comparison against the valuation, is as follows:

Asset category	Valuation basis & amount (£)		Sale Price Sale 1	Sale Price Sale 2
	In situ	Ex situ (Break up)	£	£
<u>Fixed charge</u> Goodwill (see note below)	260,500	Nil	Nil	150,000
<u>Floating charge</u> Plant & Equipment (Networks)		17,000	55,000	10,999
Office Furniture & Equipment	2,000	500	Excluded	
Motor Vehicles	3,927	2,227	Excluded	Excluded
Stock	10,000	2,000	9,996	4,000
Site Share Agreements / Licences	Nil	Nil	2	Nil
Work in Progress	Nil	Nil	1	N/A (included in Stock figure above)
IPR, Books & Records	Nil	Nil	1	N/A (included in Goodwill figure above)
Intangibles	Nil	Nil	Nil	1
Total	276,427	21,727	65,000	165,000

The in situ valuations of the Networks include any applicable Goodwill. Creditors will note that some categories of asset were sold for below or above the valuation obtained from LSH. Notwithstanding this, the agreements reached were the best available in the circumstances and represent the best outcome for creditors. The above offers were accepted following advice received from LSH.

The full sale price for Sale 1 was paid on completion.

In accordance with the terms of the sale agreement, the sale consideration of £165,000 has been received from Bogons Limited in respect of Sale 2. Of this sum, £15,000 was received in the reporting period. Further, no TUPE claims were brought and therefore no deductions were necessary.

Motor Vehicles

The Company owned two unencumbered vans with significant mechanical issues, with both having been declared SORN. The Company also had three other vehicles which were subject to finance agreements. LSH were instructed to dispose of the vehicles once they were not required for ongoing trade and a summary of the valuation attributed to them by LSH and the sale prices achieved are as follows:

Vehicle	Status	Valuation (net of finance) £	Sale Consideration £
Vauxhall Astra Club Ecoflex 1.7 car derived van Registration no. VU62 ZBR	Unencumbered	1,025	1,083
Tesla model S 5 door hatchback electric car Registration no. EC02 XEC (2014)	Subject to finance	Nil (outstanding finance exceeds value)	N/A
Citroen Dispatch 1200 HDI 90 LWB panel van Registration no. YX60 XKD	Unencumbered	200	250
Isuzu D-Max Eiger D/C twin turbo TD pick up Registration no. FY16 EOY	Subject to finance	Nil (outstanding finance exceeds value)	N/A
Ford Transit Connect 200 Trend panel van Registration no. FV14 YPF	Subject to finance	1,800	1,560.68*
Total		3,025	2,893.68

**Net of finance payment of £772.32 made to Ford Credit Europe.*

As mentioned above, the finance outstanding on two of the vehicles subject to finance exceeded the value of the vehicles and therefore no steps were taken to sell these vehicles. Arrangements were made for the Isuzu D-Max Eiger to be returned to the finance company whilst it is understood that a director of the Company settled the finance outstanding on the Tesla personally.

The three remaining vehicles were sold by LSH to Deborah Rizan Stott, a director of the Company, on 12th July 2017 for the sums set out above. Although two of the vans were sold for slightly less than the final valuations, LSH advised that the offers should be accepted on the basis it avoided the costs of collection, storage and disposal.

Accordingly, the total net sum of £2,893.68 was realised in this regard.

Book Debts

The estimated outcome statement included in the Proposals estimated that £160,000 would be realised in respect of the Company's debtors. This estimate solely comprised the sum due from the purchaser of the Lincoln network and, as stated above, this matter has now been settled. The sum of £89,895.08 was received from the purchaser of the Lincoln network, of which £70,000 was received in the reporting period.

Any receipts from customers for invoices raised prior to Administration were considered highly speculative due to service outages. However, the sum of £1,404.95 has been received from customers in this regard, of which £574.99 was received in the reporting period.

VAT Refund

A VAT refund of £2,162.92 was received in the prior reporting period which relates to VAT on a post-Administration credit note raised against an invoice issued to GPA prior to Administration.

Sundry Refunds

Refunds totalling £463.09 have been received. These comprise a rates refund of £401.00 and a utility refund of £62.09. Both refunds were received in the prior reporting period.

Gross Bank Interest

Estate funds are held in an interest bearing bank account. Gross bank interest totalling £62.54 has been received, of which £35.49 was received in the reporting period.

LIABILITIES

Secured Liabilities

An examination of the Company's mortgage register held by the Registrar of Companies, showed that the Company has no current charges over its assets.

Creditors will recall that the Company had previously given a fixed and floating charge to Catalyst Business Finance Limited ("Catalyst") on 21st July 2016 which was outstanding as at the date of Administration. As expected, the money due to Catalyst was fully repaid from the fixed charge they held over Goodwill. Accordingly, the Company no longer has any floating charge creditors and therefore the prescribed part provisions will not apply.

Catalyst have been paid the sum of £133,544.81 under their fixed charge which equates to 100p in the £. This was made up of the following distributions:

Date	Payment	Rate of dividend
06/09/2017	£45,454.55	34.04p in the £
02/10/2017	£45,454.55	34.04p in the £
30/10/2017	£42,635.71	31.92p in the £

Preferential Creditors

The estimated outcome statement included in the Proposals anticipated £5,393 in preferential creditors. These claims were met by the Secretary of State to the extent required by the Employment Rights Act

1996. A claim of £3,250.78 has been received from the Secretary of State in respect of payments made to employees in this regard.

I have not calculated and adjudicated upon the preferential employee claims (over and above the limits for payments applied by the Secretary of State) as no preferential dividend has become payable.

Crown Creditors

The estimated outcome statement included in the Proposals included £70,178 owed to HMRC. HMRC's provisional claim of £70,178.05 has been received.

Non-preferential Unsecured Creditors

The creditor schedule attached to the estimated outcome statement included in the Proposals included 79 other non-preferential unsecured creditors with an estimated total liability of £572,169.80. In addition, the amount owed to employees in respect of wage arrears (over and above the preferential limit of £800 per employee) was estimated at £320. Unsecured claims in respect of redundancy pay and pay in lieu of notice were uncertain.

I have received claims from 61 creditors at a total of £496,422.64. This total includes a small number of claims received from customers of the Company in respect of loss of service for periods which had been paid for (these claims were considered uncertain at the date of Administration).

I have not received claims from 39 creditors with original estimated claims in the statement of affairs of £180,526.16.

Included in the claims lodged by creditors is one claim in Euros. I have converted this claim into sterling at the following rates:

£1 : €1.1559

The above rates are the Bank of England Daily Spot Exchange Rates on the date the Company entered Administration.

I have not adjudicated upon the unsecured claims as no unsecured dividend has become payable.

DIVIDENDS

A dividend will not be declared to non-preferential unsecured creditors as the funds realised have been used to make payments to secured creditors, and to meet the expenses of the Administration.

Creditors will recall that the Company had previously given a fixed and floating charge to Catalyst on 21st July 2016 which was outstanding as at the date of Administration. As expected, the money due to Catalyst was fully repaid from the fixed charge they held over Goodwill. Accordingly, the Company no longer has any floating charge creditors and therefore the prescribed part provisions will not apply.

INVESTIGATION INTO THE AFFAIRS OF THE COMPANY

I undertook an initial investigation into the Company's affairs to establish whether there were any potential asset recoveries or conduct matters that justified further investigation, taking account of the

public interest, potential recoveries, the funds likely to be available to fund an investigation, and the costs involved.

I took the following action where I considered that further investigation was justified:

1. Bank Transactions

My initial review highlighted certain payments made by the Company which required further investigation. These transactions have been investigated and reviewed and it was concluded that no further action was required in this regard.

Conduct Report

Within 3 months of my appointment as Administrator, I was required to submit a confidential report to the Secretary of State to include any matters which have come to my attention during the course of my work which may indicate that the conduct of any past or present director would make him unfit to be concerned with the management of the Company. I would confirm that my report has been submitted.

PRE-ADMINISTRATION COSTS

On 4th August 2017 the following pre-administration fees and expenses were approved by the preferential and secured creditors:

<u>Description</u>	<u>Total</u> £
Joint Administrators' remuneration	36,161.50
Legal fees	2,696.00
Virtual FD	3,459.40
Total	42,316.90

These costs have been paid in full, as detailed in the attached receipts and payments account.

ADMINISTRATORS' REMUNERATION

My remuneration was authorised on a mixture of a time cost basis and as a fixed fee and % of realisations.

I was authorised to draw a fixed fee of £35,000 for my work in respect of Administration and Creditors.

I have drawn £10,000 to 17th May 2018 in respect of work done for which my fees were approved as a fixed fee (all of which was drawn in the period since 23rd November 2017).

A further sum of £10,000 will be paid towards the Joint Administrators' unpaid remuneration from the final VAT refund due to the Company of £28,517.62 which has been assigned to Turpin Barker Armstrong under a Deed of Assignment dated 16th May 2018, bringing remuneration drawn for which my fees were approved as a fixed fee to £20,000.

I was also authorised to draw a % of realisations for my work in respect of the realisation of the Company's assets. A summary of the approved percentages, the amounts realised, and the remuneration I am entitled to draw is as follows:

Nature of asset	Approved Percentage	Amount realised	Remuneration entitlement
Goodwill	10%	£150,000.00	£15,000.00
Tangible Assets (Networks)*	10%	£76,000.00	£7,600.00
Tangible Assets (Motor Vehicles)	10%	£2,893.68**	£289.37
Stock	10%	£4,000.00	£400.00
Office Furniture & Equipment	10%	Nil	Nil
Book Debts	15%	£91,300.03	£13,695.00
		Total	£36,984.37

**As previously reported, the networks (and associated assets) were sold for a combined sum of £230,000, which included £150,000 in respect of Goodwill and £4,000 in respect of Stock. Accordingly, the sum of £76,000 has been realised in respect of the other Network assets.*

***Net of finance*

I have drawn £10,000 to 17th May 2018 in respect of work done for which my fees were approved as a % of realisations (all of which was drawn in the period since 23rd November 2017).

A further sum of £10,000 will be paid towards the Joint Administrators' unpaid remuneration from the final VAT refund due to the Company of £28,517.62 which has been assigned to Turpin Barker Armstrong under a Deed of Assignment dated 16th May 2018, bringing remuneration drawn for which my fees were approved as a % of realisations to £20,000.

Finally, I was also authorised to draw time costs for my work in respect of Investigations and Trading. This approval was based on my fees estimate of £51,462.50. The fees estimate acts as a cap and I cannot draw remuneration in excess of that estimate without first seeking approval from the preferential and secured creditors. My total time costs for such work to 17th May 2018 amount to £50,175.00, representing 165.9 of hours work at a blended charge out rate of £302.44 per hour, (of which £2,760, representing 8.5 of hours work, was charged in the period since 23rd November 2017, at a blended charge out rate of £324.71 per hour). Overall blended charge out rate of £302.44 is largely comparable with my original estimate of £291.57 although the slight increase is as a result in the longer than anticipated trading period, resulting in more Partner involvement than originally expected.

I have drawn £12,679.67 to 17th May 2018 in respect of work done for which my fees were approved on a time cost basis (all of which was drawn in the period since 23rd November 2017). This brings the total drawn to date to £31,679.67.

A further sum of £8,517.62 will be paid towards the Joint Administrators' unpaid remuneration from the final VAT refund due to the Company of £28,517.62 which has been assigned to Turpin Barker Armstrong under a Deed of Assignment dated 16th May 2018, bringing remuneration drawn for which my fees were approved on a time cost basis to £21,197.29, and total remuneration drawn in respect of all categories of work to £61,197.29.

A detailed schedule of my time costs incurred to 17th May 2018 (and since 23rd November 2017) compared with my original fees estimate is attached as Appendix 3.

The total time costs I have incurred in this matter, in respect of the categories of work for which I am being remunerated on a time cost basis, have not exceeded the total estimated remuneration I set out in my fees estimate when my remuneration was authorised by the secured and preferential creditors. However, I would comment that the time costs I have incurred in respect of trading have exceeded the level I estimated in my original fees estimate. The reasons my Trading time costs have exceeded the fees estimate are the delays associated with the sales of the two networks and the higher than anticipated contact from customers of the Company (both before and after the sales of the networks).

A copy of 'A Creditors Guide to Administrators' Fees' also published by R3, together with an explanatory note which shows Turpin Barker Armstrong's fee policy are available at the link <http://www.turpinbainsolvency.co.uk/other-services-information/links>. Please note that there are different versions of the Guidance Notes and in this case you should refer to the April 2017 version.

ADMINISTRATORS' EXPENSES

The following table details the estimated expenses originally anticipated to be incurred in addition to those that have actually been incurred/drawn since my appointment as Joint Administrator (and incurred/drawn in the reporting period):

<u>Type</u>	<u>Estimated expenses</u>	<u>Incurred in reporting period</u>	<u>Drawn in reporting period</u>	<u>Total Incurred</u>	<u>Total Drawn</u>
Statutory Advertising	£149.00	Nil	Nil	£74.50	£74.50
Bordereau	£720.00	Nil	Nil	£720.00	£720.00
Agent's Fees	£26,803.00	Nil	£12,426.85	£23,788.16	£15,449.25
Legal Fees	£14,895.50	£2,349.00	£19,098.28	£30,588.50	£19,098.28
Accountancy Fees	Nil	Nil	Nil	£975.00	£975.00
Insurance of Assets	£2,500.00	Nil	Nil	£3,079.63	£3,079.63
	£45,067.50	£2,349.00	£31,525.13	£59,225.79	£39,396.66

I have asked the agents and solicitors utilised to write off the balance of their unpaid costs.

I have used the following agents or professional advisors in the reporting period:

Professional Advisor	Nature of Work	Basis of Fees
Charles Russell Speechlys LLP	Solicitors	Time costs + disbursements
Buzzacott LLP	Chartered Accountants - Tax Advice	N/A

Charles Russell Speechlys LLP

In the reporting period Charles Russell Speechlys provided general advice to the Joint Administrators in addition to advice in relation to the prior uncertainty over the approval of our fees by creditors (as mentioned in previous correspondence).

Buzzacott LLP

Buzzacott LLP were instructed to provide advice on the post appointment Corporation Tax position. No fees have been charged by Buzzacott LLP for this advice. Should any fees be payable, these will be paid by my practice.

The choice of professionals used was based on my perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of my fee arrangement with them. I have reviewed the fees charged and am satisfied that they are reasonable in the circumstances of this case.

OTHER PAYMENTS

In the reporting period the sum of £12,351.77 was paid to Bogons Limited. This payment represents the net sales receipts from customers received in respect of the post-sale supply of services (and were therefore not Company funds). This payment is shown on the trading receipts and payments account.

FURTHER INFORMATION

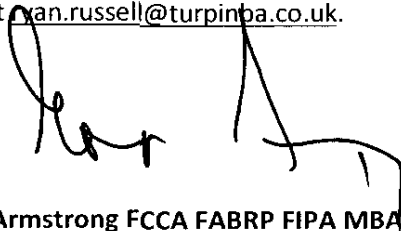
An unsecured creditor may, with the permission of the court or with the concurrence of 5% in value of the unsecured creditors (including the creditor in question) request further details of the Administrators' remuneration and expenses, within 21 days of receipt of this report. Any secured creditor may request the same details in the same time limit.

An unsecured creditor may, with the permission of the court or with the concurrence of 10% in value of the unsecured creditors (including the creditor in question), apply to court to challenge the amount and/or basis of the Administrators' fees and the amount of any proposed expenses or expenses already incurred, within 8 weeks of receipt of this report. Any secured creditor may make a similar application to court within the same time limit.

To comply with the Provision of Services Regulations, some general information about Turpin Barker Armstrong can be found at <http://www.turpinbainsolvency.co.uk/other-services-information/links>.

SUMMARY

The Administration as approved in the proposals is now complete and our files will be closed. If creditors have any queries regarding the conduct of the Administration, or this report, or if they want hard copies of any of the documents made available on-line, they should contact Ryan Russell on 020 8661 7878, or by email at ryan.russell@turpinba.co.uk.



Martin C Armstrong FCCA FABRP FIPA MBA FNARA
Joint Administrator

The affairs, business and property of the Company are being managed by the Joint Administrators, Martin C Armstrong and James E Patchett. The Joint Administrators act as agents of the Company and contract without personal liability.

Appendix 1

1. Administration

- Dealing with all routine correspondence and emails relating to the case.
- Maintaining and managing the office holder's estate bank account.
- Maintaining and managing the office holder's cashbook.
- Undertaking regular bank reconciliations of the bank account containing estate funds.
- Reviewing the adequacy of the specific penalty bond on a quarterly basis.
- Undertaking periodic reviews of the progress of the case.
- Overseeing and controlling the work done on the case by case administrators.
- Preparing, reviewing and issuing progress reports to creditors and members.
- Filing returns at Companies House.
- Preparing and filing VAT returns.
- Seeking closure clearance from HMRC and other relevant parties.
- Preparing, reviewing and issuing a final report to creditors.
- Seeking discharge as Administrator.
- Filing final returns at Companies House and in Court (as applicable).

2. Creditors

- Dealing with creditor correspondence, emails and telephone conversations regarding their claims.
- Maintaining up to date creditor information on the case management system.

**AB Internet Limited
(In Administration)
Joint Administrators' Trading Account**

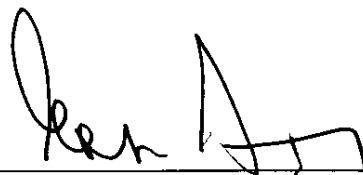
Statement of Affairs £	From 23/11/2017 To 17/05/2018 £	From 23/05/2017 To 17/05/2018 £
POST APPOINTMENT SALES		
Customer receipts	9,746.44	37,772.29
GPA Contract Payments	NIL	67,451.23
Lincoln Sale Payments	NIL	NIL
	9,746.44	105,223.52
TRADING EXPENDITURE		
Wages & Salaries	NIL	48,744.65
Contractors	NIL	24,197.44
PAYE/NIC	NIL	16,562.25
Membership/Network Subscriptions	NIL	986.91
Bank charges	NIL	31.00
Pension Contributions	NIL	792.82
Site rental	753.88	2,600.82
Agents Fees	NIL	NIL
Utilities	NIL	1,082.50
Rent	1,821.30	9,314.91
Suppliers	17,360.21	30,655.81
Rates	4,450.05	7,815.78
Security Costs	NIL	149.20
Payment to purchaser	12,351.77	12,351.77
	(36,737.21)	(155,285.86)
TRADING SURPLUS/(DEFICIT)	(26,990.77)	(50,062.34)

AB Internet Limited
(In Administration)
Joint Administrators' Summary of Receipts & Payments

Statement of Affairs £	From 23/11/2017 To 17/05/2018 £	From 23/05/2017 To 17/05/2018 £
FIXED CHARGE ASSETS		
Goodwill, IPR, Name - Bogons Sale	13,636.35	150,000.00
	13,636.35	150,000.00
FIXED CHARGE CREDITORS		
Catalyst Business Finance Limited	NIL	133,544.81
	NIL	(133,544.81)
HP ASSETS		
Motor Vehicles (Ford Transit)	NIL	2,333.00
Ford Credit Europe	NIL	(772.32)
	NIL	1,560.68
ASSET REALISATIONS		
IPR, Books & Records - FH Sale	NIL	55,001.00
Motor Vehicles (Vauxhall Astra / Citroe	NIL	1,333.00
Stock - Bogons Sale	363.64	4,000.00
Site Share Agreements - FH Sale	NIL	1.00
Book Debts	70,574.99	91,300.03
Work in Progress - FH Sale	NIL	1.00
Spares - FH Sale	NIL	5,000.00
Zabbix Assets - FH Sale	NIL	4,996.00
Furniture, Equipment, IT System - Bog	999.91	10,999.00
VAT Refund	NIL	2,162.92
Point to Point Fixed Links Licences - F	NIL	1.00
Sundry Refunds	NIL	463.09
Gross Bank Interest	35.49	62.54
Intangibles	0.10	1.00
Trading Surplus/(Deficit)	(26,990.77)	(50,062.34)
	44,983.36	125,259.24
COST OF REALISATIONS		
Agents'/Valuers' Fees	12,426.85	15,449.25
Accountancy Fees	NIL	NIL
Legal Fees	19,098.28	19,098.28
Legal Fees- Pre-appointment	2,696.00	2,696.00
	(34,221.13)	(37,243.53)
COST OF ADMINISTRATION		
Specific Bond	NIL	720.00
Statutory Advertising	NIL	74.50
Insurance of Assets	NIL	3,079.63
Wages & Salaries	NIL	NIL
Non-recoverable VAT	364.26	364.26
Accountancy Fees	NIL	975.00
Administrators' Remuneration - Pre	36,161.50	36,161.50
Administrators' Remuneration - Post	32,679.67	32,679.67
Virtual FD	3,459.40	3,459.40
	(72,664.83)	(77,513.96)
	(48,266.25)	28,517.62
REPRESENTED BY		
Vat Control Account		28,517.62
		28,517.62

Note:

It should be noted that all figures stated in the Receipts and Payments Account are detailed net of VAT.

A handwritten signature in black ink, appearing to read 'Martin C. Armstrong', positioned above a horizontal line.

Martin C Armstrong FCCA FABRP FIPA MBA FNARA
Joint Administrator

Time Entry - Detailed SIP9 Time & Cost Summary

XAO268 - AB Internet Limited
From: 23/11/2017 To: 17/05/2018
Project Code: POST

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
201 : CDDA Reports	0.00	0.00	0.00	0.80	0.80	176.00	220.00
203 : Investigations (other)	0.20	1.70	0.00	0.00	1.90	661.50	348.16
205 : Bank statement analysis	0.30	0.00	0.00	0.00	0.30	120.00	400.00
Investigations	0.50	1.70	0.00	0.80	3.00	957.50	319.17
400 : Trading	0.00	5.30	0.00	0.00	5.30	1,722.50	325.00
401 : Management of Operations	0.20	0.00	0.00	0.00	0.20	80.00	400.00
Trading	0.20	5.30	0.00	0.00	5.50	1,802.50	327.73
Total Hours	0.70	7.00	0.00	0.80	8.50	2,760.00	324.71
Total Fees Invoiced						61,197.29	
Total Fees Drawn						32,679.67	

Comparative fee estimate and time summary

Classification of Work Function	Original Fee Estimate	Time Costs incurred 23/11/2017		Time Costs incurred 23/05/2017		Overall Blended Rate
		£	Blended Rate	£	Blended Rate	
Investigations	16,162.50	221.40	319.17	6,464.00	151.38	
Trading	35,300.00	341.06	327.73	43,711.00	354.80	
Total	51,462.50	291.57	324.71	50,175.00	302.44	

Time Entry - Detailed SJ9 Time & Cost Summary

XA0268 - AB Internet Limited
From: 23/05/2017 To: 17/05/2018
Project Code: POST

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
201 : CDDA Reports	1.70	2.70	0.00	13.00	17.40	3,762.50	216.24
203 : Investigations (other)	1.70	3.30	0.00	0.00	5.00	1,781.50	356.30
205 : Bank statement analysis	0.30	0.00	0.00	20.00	20.30	920.00	45.32
Investigations	3.70	6.00	0.00	33.00	42.70	6,464.00	151.38
404 : Trading employee issues	4.00	7.50	0.00	3.20	14.70	4,209.00	286.33
405 : Trading dealing with suppliers	2.90	0.00	0.00	0.00	2.90	1,218.00	420.00
406 : Trading meetings with management	1.20	0.00	0.00	0.00	1.20	480.00	400.00
400 : Trading	23.40	75.40	0.00	3.90	102.70	37,124.00	361.48
401 : Management of Operations	1.70	0.00	0.00	0.00	1.70	680.00	400.00
Trading	33.20	82.90	0.00	7.10	123.20	43,711.00	354.80
Total Hours	36.90	88.90	0.00	40.10	165.90	50,175.00	302.44
Total Fees Invoiced						61,197.29	
Total Fees Drawn						32,679.67	

Comparative fee estimate and time summary

Classification of Work Function	Original Fee Estimate	Time Costs		Blended Rate
		Estimated Blended 23/05/2017 to 17/05/2018	incurred 17/05/2018	
	£	£	£	£
Investigations	16,162.50	221.40	6,464.00	151.38
Trading	35,300.00	341.06	43,711.00	354.80
Total	51,462.50	291.57	50,175.00	302.44